



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 12/04/2000

GAIN Report #MX0178

**Mexico**

**Citrus**

**Annual**

**2000**

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**Report Highlights:**

**Mexican citrus production is forecast to increase for MY 2000/2001 compared to overall production in MY 1999 due to better weather conditions. FCOJ production, however, is forecast to decrease due to unfavorable international prices. Therefore, FCOJ exports are forecast to decrease for MY 2001.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Mexico [MX1], MX

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## SECTION I. SITUATION AND OUTLOOK

### The Economy

The outlook for the Mexican economy for the remainder of the year 2000 remains bright. Aggregate demand is exceptionally strong and sustaining GDP growth that could average 6.0 percent in 2000. This year's performance will surpass last year's, when GDP rose by 3.7 percent in real terms. The figure for inflation, too, is expected to be lower than the 12.3 percent of 1999 and may decline to about 9.5 percent by the end of the year; the first time the rate will be below 10.0 percent in six years. The Government of Mexico's (GOM) conservative fiscal and monetary policies have helped offset the unusually strong consumer demand and thus prevent the overheating of Mexico's economy. The GOM is conscious of this danger, and is taking steps to ensure that the economy grows at a sustainable rate during the next few years.

Mexico's domestic and foreign trade continues to grow at rates that warrant optimism. Domestic consumption grew by nearly 9.5 percent in real terms during the first half of 2000. Investment rose by about 11.5 percent during this semester relative to the level of a year earlier. This rate could well be sustained during the second half of 2000. Mexico's exports increased about 24.5 percent in nominal terms during the first six months of 2000 relative to those of the same period a year earlier. Imports rose by about 25.0 percent during the same period. In the year that ended in June 2000, Mexico's net international assets increased \$4.2 billion to a total of \$29.6 billion. The result reflected the benefits to Mexico of high oil prices and a robust U.S. economy. The latter's affect on Mexico is overwhelming, given that the United States remains Mexico's most important export market (87 percent in 1999), its most important source of imports (74 percent), and its primary source of foreign short- and long-term capital.

Mexico's current account deficit is projected to be approximately \$19 billion by the end of year 2000. This figure would represent 3.1 percent of expected GDP, 0.2 percentage points higher than the corresponding value in 1999. Forecasters generally agree that inflation, as measured by the consumer price index, may drop to about 9.5 percent by the end of the year. The exchange rate for 2000 is forecast to be around 10.0 pesos/US\$ by the end of the year, which would represent about a five percent depreciation relative to the rate that prevailed in 1999 (9.5). Mexico's fiscal deficit will likely reach approximately 1.0 percent of GDP this year, about the same as last year's.

Continuation of these positive macro-economic indicators into 2001 will depend on how well the GOM responds to internal and external developments during the next several months. Exceptionally strong consumer demand could lead to serious overheating of Mexico's economy, which could cause inflation to rise. The growth that this demand provokes attracts capital inflows and strengthens the peso. This can encourage excessive imports. If undiminished, at some point the current account will weaken and may provoke a correction that could induce a fall in economic growth. The Bank of Mexico is implementing monetary restrictions to prevent such overheating.

The GOM's ability to absorb the effects of a U.S. economic slowdown, and possible fall in oil prices, will also determine whether Mexico will be able to maintain buoyant economic growth in the years to come. A significant downturn in the U.S. economy could cause a substantial fall in U.S. equity prices, which would provoke an increase in U.S. interest rates. The end result could trigger a downturn in Mexico. The expansion of trade with Mexico's non-NAFTA partners could mitigate the effects of a slowdown in the United States. Mexico's free trade agreement (FTA)

with the European Union could initiate robust growth in Mexican exports to Europe without posing a threat to the commercially most important U.S. agricultural exports to Mexico. This is true because Mexico did not make tariff rate concessions to the E.U. on any products for which the E.U. provides export subsidies (grains, meat, dairy, etc.). Its development as an export market may more than offset the likely decline in world oil prices during the next few years, given that oil exports now account for less than 10.0 percent of total Mexican exports. Oil revenues nonetheless remain of great significance to Mexico. They account for nearly 35 percent of government budgetary revenue. The GOM thus has a strong interest in cooperating with the OPEC producers to ensure that the price of oil remains at what they consider an acceptable level. The GOM assumed that Mexico would obtain \$16.0 per barrel for its oil exports when it prepared the fiscal year 2000 budget, but the price of Mexico's oil has averaged about \$24 per barrel during the first six months of 2000.

On July 2, 2000, Mexican voters elected Vicente Fox as their new President. This was a historic event because he is from the National Action Party (PAN by its Spanish initials), not the Institutional Revolutionary Party (PRI by its Spanish initials) which had dominated Mexican politics for over 70 years. He ran on a pro-business, free trade platform, but it is too early to tell as of this writing what economic policies he will implement to support that platform. He will take power on December 1, 2000.

### **Citrus Situation and Outlook**

The overall forecast for citrus production for MY 2000/2001 is expected to grow because of timely rainfall and better weather compared to the drier weather that prevailed during MY 1999/2000. Orange trees had good first and second blooms, but the third and fourth blooms are expected to be lower. So supplies for oranges at the end of April 2001 could be low. FCOJ production is expected to be low due to unfavorable international prices. The industry, however, indicates that there is enough fresh fruit at available prices to produce more FCOJ, but only if international prices increase. Grapefruit, Persian and Key Lime production are forecast to increase due to prevailing good weather. Domestic citrus consumption is forecast to increase for MY 2000 due to good consumer purchasing power.

## SECTION II. STATISTICAL TABLES

## FRESH ORANGE PRODUCTION TABLE

PSD Table						
Country	Mexico					
Commodity	Fresh Oranges		(HECTARES)(1000 TREES)(1000 MT)			
	Revised 1998		Preliminary 1999		Forecast 2000	
	Old	New	Old	New	Old	New
Market Year Begin	11/1998		11/1999		11/2000	
Area Planted	324000	323869	325000	326000	0	327000
Area Harvested	299000	299387	300000	300000	0	306000
Bearing Trees	60395	60476	60600	61800	0	61812
Non-Bearing Trees	5050	4945	5050	4040	0	4242
TOTAL No. Of Trees	65445	65421	65650	65840	0	66054
<b>Production</b>	2903	<b>2903</b>	3100	<b>3100</b>	0	<b>3200</b>
Imports	20	19	22	22	0	22
<b>TOTAL SUPPLY</b>	2923	<b>2922</b>	3122	<b>3122</b>	0	<b>3222</b>
Exports	50	50	9	10	0	9
Fresh Dom. Consumption	2513	2419	2753	2672	0	2813
Processing	360	453	360	440	0	400
<b>TOTAL DISTRIBUTION</b>	2923	<b>2922</b>	3122	<b>3122</b>	0	<b>3222</b>

**FRESH CITRUS, OTHER**

PSD Table						
Country	Mexico					
Commodity	Fresh Citrus,Other		(HECTARES)(1000 TREES)(1000 MT)			
	Revised 1998		Preliminary 1999		Forecast 2000	
	Old	New	Old	New	Old	New
Market Year Begin	11/1998		11/1999		11/2000	
Area Planted	120500	119408	122000	122000	0	123000
Area Harvested	106000	109880	107000	110000	0	111000
Bearing Trees	20564	21316	20758	21340	0	21534
Non-Bearing Trees	2813	1848	2910	2328	0	2328
TOTAL No. Of Trees	23377	23164	23668	23668	0	23862
Production	1100	<b>1215</b>	1120	<b>1220</b>	0	<b>1230</b>
Imports	1	1	1	1	0	1
TOTAL SUPPLY	1101	<b>1216</b>	1121	<b>1221</b>	0	<b>1231</b>
Exports	200	220	200	240	0	240
Fresh Dom. Consumption	676	753	693	737	0	745
Processing	225	243	228	244	0	246
TOTAL DISTRIBUTION	1101	<b>1216</b>	1121	<b>1221</b>	0	<b>1231</b>

**FRESH GRAPEFRUIT**

PSD Table						
Country	Mexico					
Commodity	Fresh Grapefruit		(HECTARES)(1000 TREES)(1000 MT)			
	Revised 1998		Preliminary 1999		Forecast 2000	
	Old	New	Old	New	Old	New
Market Year Begin	11/1998		11/1999		11/2000	
Area Planted	12000	12000	12500	12300	0	12400
Area Harvested	9600	9600	9700	9700	0	9700
Bearing Trees	1804	1804	1823	1823	0	1823
Non-Bearing Trees	451	451	526	488	0	507
TOTAL No. Of Trees	2255	2255	2349	2311	0	2330
Production	165	<b>165</b>	160	<b>160</b>	0	<b>164</b>
Imports	1	1	1	1	0	1
TOTAL SUPPLY	166	<b>166</b>	161	<b>161</b>	0	<b>165</b>
Exports	3	4	3	3	0	2
Fresh Dom. Consumption	139	138	134	134	0	138
Processing	24	24	24	24	0	25
TOTAL DISTRIBUTION	166	<b>166</b>	161	<b>161</b>	0	<b>165</b>

**FROZEN CONCENTRATE ORANGE JUICE**

PSD Table						
Country	Mexico			65 Degrees Brix		
Commodity	Juice, Orange			(MT)		
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
Deliv. To Processors	360000	453000	360000	440000	0	400000
Beginning Stocks	5900	5900	3000	3000	0	3000
Production	36000	<b>45300</b>	36000	<b>44000</b>	0	<b>40000</b>
Imports	1	1	1	1	0	1
TOTAL SUPPLY	41901	<b>51201</b>	39001	<b>47001</b>	0	<b>43001</b>
Exports	35751	45001	32851	40801	0	36801
Domestic Consumption	3150	3200	3150	3200	0	3200
Ending Stocks	3000	3000	3000	3000	0	3000
TOTAL DISTRIBUTION	41901	<b>51201</b>	39001	<b>47001</b>	0	<b>43001</b>



## Trade Matrixes

<b>ORANGES</b> H.S. 0805.10		UNITS: <b>METRIC TONS</b>	
<b>EXPORTS FOR 1999 TO:</b>		<b>IMPORTS FOR 1999 FROM:</b>	
U.S.	47,662	U.S.	19,481
OTHER		OTHER	
ARGENTINA	385		0
TOTAL OF OTHER	385	TOTAL OF OTHER	0
OTHERS NOT LISTED	623	OTHERS NOT LISTED	0
GRAND TOTAL	48,670	GRAND TOTAL	19,481

<b>ORANGES</b> H.S. 0805.10		UNITS: <b>METRIC TONS</b>	
<b>EXPORTS FOR 2000* TO:</b>		<b>IMPORTS FOR 2000* FROM:</b>	
U.S.	6,835	U.S.	20,985
OTHER		OTHER	
ARGENTINA	2,216		0
TOTAL OF OTHER	2,216	TOTAL OF OTHER	0
OTHERS NOT LISTED	745	OTHERS NOT LISTED	0
GRAND TOTAL	9,796	GRAND TOTAL	20,985

**SOURCE:** Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, July 2000.

\*As of July 2000



<b>KEY LIME &amp; PERSIAN LIME</b> H.S. 0805.30		UNITS: <b>METRIC TONS</b>	
<b>EXPORTS FOR 1999 TO:</b>		<b>IMPORTS FOR 1999 FROM:</b>	
U.S.	211,353	U.S.	1,493
OTHER		OTHER	
NETHERLANDS	2,620		0
TOTAL OF OTHER	2,620	TOTAL OF OTHER	0
OTHERS NOT LISTED	11,444	OTHERS NOT LISTED	0
GRAND TOTAL	225,417	GRAND TOTAL	1,493

<b>KEY LIME &amp; PERSIAN LIME</b> H.S. 0805.30		UNITS: <b>METRIC TONS</b>	
<b>EXPORTS FOR 2000* TO:</b>		<b>IMPORTS FOR 2000* FROM:</b>	
U.S.	137,778	U.S.	1,865
OTHER		OTHER	
GERMANY	1,240		0
TOTAL OF OTHER	1,240	TOTAL OF OTHER	0
OTHERS NOT LISTED	6,510	OTHERS NOT LISTED	0
GRAND TOTAL	145,528	GRAND TOTAL	1,865

**SOURCE:** Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, July 2000.

\*As of July 2000

<b>GRAPEFRUIT</b> H.S. 0805.40		UNITS: <b>METRIC TONS</b>	
<b>EXPORTS FOR 1999 TO:</b>		<b>IMPORTS FOR 1999 FROM:</b>	
U.S.	58	U.S.	11,344
OTHER		OTHER	
BELGIUM	835		0
TOTAL OF OTHER	835	TOTAL OF OTHER	0
OTHERS NOT LISTED	2,256	OTHERS NOT LISTED	0
GRAND TOTAL	3,149	GRAND TOTAL	11,344

<b>GRAPEFRUIT</b> H.S. 0805.40		UNITS: <b>METRIC TONS</b>	
<b>EXPORTS FOR 2000* TO:</b>		<b>IMPORTS FOR 2000* FROM:</b>	
U.S.	150	U.S.	5,599
OTHER		OTHER	
CANADA	19		0
TOTAL OF OTHER	19	TOTAL OF OTHER	0
OTHERS NOT LISTED	1	OTHERS NOT LISTED	0
GRAND TOTAL	170	GRAND TOTAL	5,599

**SOURCE:** Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, July 2000.

\*As of July 2000

<b>FROZEN CONCENTRATE ORANGE JUICE</b> HTS. 2009.11.01			UNITS: <b>KILOGRAMS*</b> & <b>LITERS**</b>	
<b>EXPORTS FOR 1999 TO:</b>			<b>IMPORTS FOR 1999 FROM:</b>	
U.S.	26,458,749	*	U.S.	574,585 **
OTHER			OTHER	
DOMINICAN REP.	3,933,447	*	CUBA	54,315 **
TOTAL OF OTHER	3,933,447	*	TOTAL OF OTHER	54,315 **
OTHERS NOT LISTED	0	*	OTHERS NOT LISTED	71 **
GRAND TOTAL	33,105,545	*	GRAND TOTAL	628,971 **

<b>FROZEN CONCENTRATE ORANGE JUICE</b> HTS. 2009.11.01			UNITS: <b>KILOGRAMS*</b> & <b>LITERS**</b>	
<b>EXPORTS FOR 2000 <sup>A/</sup> TO:</b>			<b>IMPORTS FOR 2000 <sup>A/</sup> FROM:</b>	
U.S.	19,939,828	*	U.S.	139,134 **
OTHER			OTHER	
NETHERLANDS	1,131,192	*		0 **
TOTAL OF OTHER	1,131,192	*	TOTAL OF OTHER	0 **
OTHERS NOT LISTED	3,457,095	*	OTHERS NOT LISTED	0 **
GRAND TOTAL	24,528,115	*	GRAND TOTAL	139,134 **

**SOURCE:** Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, July 2000.

<sup>A/</sup>As of July 2000

<b>ORANGE JUICE NOT FROZEN</b> HTS. 2009.19.01		UNITS: <b>KILOGRAMS*</b> & <b>LITERS**</b>	
<b>EXPORTS FOR 1999 TO:</b>		<b>IMPORTS FOR 1999 FROM:</b>	
U.S.	11,782,759 *	U.S.	2,677,495 **
OTHER		OTHER	
ISRAEL	543,279 *		0 **
TOTAL OF OTHER	543,279 *	TOTAL OF OTHER	0 **
OTHERS NOT LISTED	0 *	OTHERS NOT LISTED	0 **
GRAND TOTAL	13,679,154 *	GRAND TOTAL	2,677,495 **

<b>ORANGE JUICE NOT FROZEN</b> HTS. 2009.19.01		UNITS: <b>KILOGRAMS*</b> & <b>LITERS**</b>	
<b>EXPORTS FOR 2000 <sup>A/</sup> TO:</b>		<b>IMPORTS FOR 2000 <sup>A/</sup> FROM:</b>	
U.S.	5,107,148 *	U.S.	1,686 **
OTHER		OTHER	
GUATEMALA	22,091 *		0 **
TOTAL OF OTHER	22,091 *	TOTAL OF OTHER	0 **
OTHERS NOT LISTED	19,436 *	OTHERS NOT LISTED	0 **
GRAND TOTAL	5,148,675 *	GRAND TOTAL	1,686 **

**SOURCE:** Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, July 2000.

<sup>A/</sup>As of July 2000

## Orange Prices

WHOLESALE ORANGE PRICES (PESOS/KG)			
Month	1999	2000	Change %
January	1.35	1.43	5.93
February	1.39	1.40	0.72
March	1.46	1.43	(2.05)
April	2.48	1.64	(33.87)
May	1.83	1.95	6.56
June	2.66	1.72	(35.34)
July	2.98	1.76	(40.94)
August	3.20	2.76	(13.75)
September	2.84	2.06	(27.46)
October	2.66	1.52	(42.86)
November	1.68	1.51	(10.12)
December	1.59	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS

AVR. EXCHANGE RATE FOR 1999 US\$1.00 = \$ 9.55 PESOS

EXCHANGE RATE NOV. 15, 2000 US\$1.00 = \$ 9.50 PESOS

## Persian Lime Prices

PERSIAN LIME WHOLESALE PRICES (PESOS/KG)			
Month	1999	2000	Change %
January	2.17	4.18	92.63
February	3.76	5.80	54.26
March	N/A	5.66	N/A
April	4.00	3.00	(25.00)
May	2.80	1.72	(38.57)
June	1.01	1.14	12.87
July	0.91	1.13	24.18
August	0.91	1.14	25.27
September	1.26	0.98	(22.22)
October	1.70	1.13	(33.53)
November	1.45	1.81	24.82
December	2.79	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS

AVR. EXCHANGE RATE FOR 1999 US\$1.00 = \$ 9.55 PESOS

EXCHANGE RATE NOV. 15, 2000 US\$1.00 = \$ 9.50 PESOS



## Key Lime Prices

KEY LIME WHOLESALE PRICES (PESOS/KG)			
Month	1999	2000	Change %
January	6.30	7.90	25.40
February	7.60	7.70	1.32
March	2.63	3.57	35.74
April	2.50	2.75	10.0
May	1.94	2.40	23.71
June	2.64	2.43	(7.95)
July	2.50	2.77	10.80
August	2.60	2.70	3.85
September	2.55	2.82	10.59
October	3.02	2.81	(6.95)
November	1.68	4.51	168.45
December	1.56	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS

AVR. EXCHANGE RATE FOR 1999 US\$1.00 = \$ 9.55 PESOS

EXCHANGE RATE NOV. 15, 2000 US\$1.00 = \$ 9.50 PESOS

## Monthly Exchange Rates

Monthly Exchange Rate Averages		
	1999	2000
January	10.13	9.02
February	10.01	9.43
March	9.75	9.28
April	9.43	9.37
May	9.38	9.50
June	9.53	9.81
July	9.37	9.43
August	9.38	9.27
September	9.33	9.33
October	9.52	9.52
November	9.40	9.59 *
December	9.38	N/A
Annual Avg.	9.55	N/A

Source: Mexican Federal Register

Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.

\* As of November 15, 2000.

## SECTION III. NARRATIVE ON SUPPLY & DEMAND, POLICY & MARKETING

### FRESH ORANGES

#### PRODUCTION

The fresh orange production forecast for marketing year 2000/01 (November-October) is 3.2 MMT. Producers indicate that weather was good in Veracruz with timely rainfall, but Nuevo Leon and Tamaulipas are going through another year of dry weather. Orange trees had good first and second blooms in Veracruz due to excellent rainfall and it is expected that the harvest from October to April will be very large. The third (May/June) and fourth (July/August) harvests, consequently, are expected to be lower for MY 2000. The MY 2000 forecast for oranges destined to processing is 400,000 MT, slightly lower compared to MY 1999 because of expected low international orange prices.

The fresh orange production estimate for MY 1999 remains unchanged at 3.1 MMT. Official initial estimates place total production about 8 percent higher. The floods and heavy rain problems that occurred in Veracruz during October 1999 resulted in a loss of fruit where almost 7,000 hectares were damaged. But, according to producers, approximately 2,000 hectares of planted oranges that were near the rivers were totally lost. Most of the flood damage was in infrastructure and roads. The estimate for oranges destined to processing for MY 1999 was revised upward based on industry information. Production data for MY 1998 remains unchanged. The estimate of oranges destined to processing for MY 1998 was revised upward based on recent trade data.

Area planted for oranges is forecast at 327,000 hectares for MY 2000, a very slight increase over MY 1999 area planted. According to growers, area planted has been increasing slowly due to fluctuating prices. The increase, however, is almost being offset by abandoned areas in different states. In fact, some expansions in Veracruz have been almost offset by growers that abandon groves due to high costs of production, or because of a switch to other commodities. In Alamo, for example, orange tree plantings have increased, while in Martinez de la Torre, producers are switching to Persian limes production. Meanwhile, the processing industry, which buys most of the product in the market, has now begun to plant its own groves to ensure a continuous supply. The rate of expansion of orange groves in other areas of the country has also been slow. In Veracruz, which accounts for approximately 45 percent of the country's total planted area, is about 90 percent non-irrigated, whereas Nuevo Leon, with 8 percent of the total area planted in Mexico, is about 85 percent irrigated by well water. The dry weather, however, has dried out some wells creating water problems in the region. The cost of production is higher in Nuevo Leon than in Veracruz because of irrigation costs. Growers also indicate that lack of credit availability and the high cost of production, along with wide swings in fresh orange prices and marketing problems, have limited the planting of new trees. Average tree density in Veracruz is 200 trees per hectare.

Other producer states, like Nuevo Leon, have about 24,500 hectares of oranges with almost no new plantings,

because of limited water available for new irrigated area. Groves have been replanted with new early-maturing Valencia trees at higher densities, ranging from 163 to 300 trees per hectare. The higher density is an effort to help prevent frost damage. Most of the oranges of this region are grown for the fresh market because of the good quality. For MY 2000, production in Nuevo Leon is expected to be approximately 250,000 MT, still down from the historical average of 360,000 MT due to the prevalent dry weather conditions since 1999. Most of the plantings of orange trees (about 42,000 has.) in the states of Tabasco, Campeche and Yucatan are in *ejidos* (communal farms) and are relatively new compared to Veracruz. The quality, however, is still not very good and most of the crop goes mainly to the fresh market. Total area planted for MY 1999 has been revised upward based on recent official information. Total area planted for MY 1998 was revised downward and area harvested was revised upward based on final official information.

Country-wide orange yields in MY 2000 are forecast at 10.4 MT/Ha due to better weather conditions compared to the dry weather of MY 1999. Yields, however, could decrease depending on the volume of oranges of the third and fourth blooms in Veracruz. Orange yields differ widely depending on the production area. Usually, Veracruz yields range from 10 to 20 MT/Ha. In Nuevo Leon, yields range from 12 to 15 MT/Ha. In San Luis Potosi, yields range from 7 to 13 MT/Ha. This variance in yields is caused by many factors such as weather, input levels, tree density and terrain.

Costs of production have increased for all citrus fruit, especially for imported inputs, such as fertilizers which increased about 20 percent, and for pesticides and other agrochemical products which have increased at the rate of inflation. Production costs vary among the citrus regions and between producers. The average cost of production in some areas in Veracruz for a traditional grove with little intensive cultivation is approximately 4,850 pesos/Ha (US\$500/Ha) or less, and the average for a more intensively farmed grove is about 10,920 pesos/Ha (US\$1,125/Ha). Fertilization and pest control makes much of the difference between these costs of production. These costs represent approximately a 40 percent of total production costs. Average field worker wages have increased to about 45 pesos (US\$4.64) per day, but sometimes producers have to pay 60 pesos or more (US\$6.20) per day to attract enough workers. To harvest oranges, workers are being paid about 200 pesos/MT (US\$20.6/MT). The *maquiladoras* are hiring away farm laborers as well as immigration to the United States.

Grower prices at the farm gate for MY 2000 began in October at a low of 500 pesos/MT (US\$51.55/MT) for the early varieties, although prices are expected to increase to approximately 600 to 900 pesos/MT (US\$61.85 to 92.75/MT) when the juice industry begins to buy fruit. Transportation costs from Veracruz to Mexico City are usually 2,500 to 3,000 pesos per 10 MT (US\$257.70 to 309.27 per 10 MT) delivered in one day.

On July 27, 2000, SAGAR published an emergency regulation to implement a National Emergency Mechanism to prevent the spread of and eradicate the brown citrus aphid and the Citrus Tristeza Virus (CTV) in Mexico (See report MX 0117). The brown citrus aphid has been detected in the states of Quintana Roo and Yucatan, and CTV has been detected in the state of Baja California. According to citrus producers, citrus from the Yucatan has to be washed, and packed in order to be transported to other states. So far, this extra process is being paid by local producers at approximately 80 pesos/MT (US\$8.25/MT). According to producers in

Veracruz, there are still no organized efforts from other states to help producers in the Yucatan to stop the spreading of CTV.

## CONSUMPTION

The fresh orange consumption forecast for MY 2000 is 2.8 MMT, or a 5 percent increase over MY 1999 consumption, reflecting a strong consumer purchasing power. Final consumption estimates, however, will depend on the final volume purchased by the industry and the fruit production of the last two blooms in Veracruz. The MY 1998 and 1999 consumption estimates were revised downward due to a higher volume of oranges destined to the processing industry.

Wholesale orange prices overall decreased during 2000 compared to 1999 prices as a result of greater increases in supplies. Prices for the new orange crop (2001) are expected to continue to fall because of even further supplies. During the first two weeks of October 2000, wholesale prices of new-crop Valencia oranges from Veracruz averaged 1.50 pesos/kg., compared to 2.70 pesos/kg in October 1999. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice.

## TRADE

Mexican orange exports for MY 2000 are forecast at 9,000 MT. Exports, however, could be lower because of current oversupplies in California. Orange exports for MY 1999 were revised upward based on Mexican trade data. Most of the oranges exported to the US are from Sonora, which produces very good, high quality oranges. Mexico will continue to export processed oranges as peeled slices for fruit salads and other foods. According to sources, the international market is demanding more peeled fruit. The United States continues to be the largest export market for Mexican oranges. Mexican exporters keep exploring Asian markets, such as Hong Kong and Japan. The high quality oranges produced in the Sonora desert (about 150,000 MT) are suitable for these markets because shipments come from the Sonora fruit fly-free zone.

Mexico could also have access to other citrus fruit markets because the certification of the forced-hot-air process in Montemorelos, Nuevo Leon has been approved by APHIS. Exporters who decide to switch from methyl bromide treatment to using forced-hot-air chambers will be able to export to the United States as well as other countries using this new technology in quarantine treatments. The forced-hot-air treatment was authorized for tangerines, oranges and grapefruit. Producers indicate, however, that this treatment is still very expensive.

Mexican orange imports for MY 2000 are expected to be similar to MY 1999 at around 22,000 MT. Orange imports are not expected to increase due to larger domestic volumes. MY 1998 imports were revised downward based on trade data. US orange exports to Mexico could expand significantly given the decrease in the Mexican tariff and the ability of California, Texas and Arizona to ship to Mexico. US orange prices, however, are higher than Mexican domestic produce.

## MARKETING

There are three major wholesale markets or *Centrales de Abastos* in the country which handle 80 percent of total citrus fruit sold. Mexico City's Central Market handles 40 percent of the sales. The two other largest markets are located in Guadalajara and Monterrey. Mexico's distribution system is unique in its mix between traditional distribution methods (central market purchasing and delivery) and more sophisticated methods (large regional and national distributors).

Distributors/importers are the key to the success of any imported product since only some of the major retail and few of the major food service chains import directly. For any U.S. company entering Mexico, it is important to have someone, an agent or reliable distributor, who can maintain regular contact with buyers, interface with the government and handle the required paperwork, and ensure that service is maintained.

For fresh and horticultural products, including citrus fruits, each city has a central wholesale market known as the *Central de Abastos*. Virtually all of Mexico's horticultural and fruit production and imports move through these markets. The products are sold by box. Typical buyers in this area are large supermarket chains, street markets, hotels and restaurants.

US citrus fruit exporters should be aware of the fact that the Mexican market is more price sensitive than quality sensitive. This is one of the main reasons for limited exports of US citrus products. Despite the excellent quality, prices are 4 to 5 times higher than Mexican products. Some attempts have been made by US firms to enter the market, but they have had limited success because of strategies emphasizing quality rather than price. Another limitation for US citrus exports to Mexico are the phytosanitary restrictions. Only citrus fruits coming from the states of California, Texas and Arizona are authorized by the Mexican government to enter the country having an International Phytosanitary Certificate indicating that the products were grown in fruit fly-free areas. Negotiations are still underway for Florida Citrus.

## OTHER TRADE AGREEMENTS

A free trade agreement was signed between Mexico and the European Union (EU) that went into effect on July 1, 2000. This agreement is expected to strengthen Mexico's presence its strategic position in the world trade. Among the agricultural products negotiated in the agreement is fresh orange juice and FCOJ. The EU will allow 1,000 MT of fresh orange juice under a quota access to the EU market. The tariff will be 50 percent under the MFN or GPS duties applicable at the time of import as of July 1, 2000. Also, the EU will allow 30,000 MT of FCOJ under a quota with a tariff of 25 percent under the MFN or GPS duties applicable at the time of import as of July 1, 2000. The FCOJ must have a concentration of 20 degrees brix with a density above 1.089 grams per cubic centimeter.

Also, Mexico signed on March 6, 2000, a free trade agreement with Israel. Among the agricultural products negotiated in the agreement with Israel are unlimited exports of Mexican fresh oranges and FCOJ. Since Israel imports these products from other sources, it is uncertain what share of the market Mexico will be able to

capture.

## FRESH CITRUS, OTHER

### PRODUCTION

This section covers two citrus fruits that are of economic significance to Mexico: Key Limes and Persian Limes. Mexican Key Limes are grown mainly on the Pacific coast, in the states of Colima, Michoacan, Guerrero and Oaxaca. Most Persian Limes are grown in a micro-climate called "*La Huasteca*" that includes portions of the states of Veracruz, San Luis Potosi, Tamaulipas, and Hidalgo. Also, Oaxaca and Tabasco in the southern part of Mexico are producing Persian Limes.

Total production of both limes for MY 2000 is forecast at 1,230,000 MT, slightly higher than MY 1999 production. Heavy rainfall during August/September 2000 resulted in some flower drop that could affect overall yields in the region of Michoacan for Key Limes and Tabasco for Persian Limes. Veracruz production of Persian Limes had overall good weather conditions. Production for MY 1999 has been revised upward based on recent official estimates. The floods and heavy rain problems that occurred in Veracruz during October 1999 did not affect lime production as it did for oranges. The production estimate for MY 1998 has been revised upward to reflect final official data.

Area planted to both Persian and Key Limes has increased at a low rate. Due to the export benefits of Persian Limes, planted area for this fruit has grown at a faster rate in Veracruz. Some Veracruz producers have replanted Persian Limes instead of oranges or grapefruit because of the favorable international prices. These areas, however, are still small. New trees are coming into production in Veracruz, Michoacan and Oaxaca. Approximately 21 percent of the total area is planted with Persian Limes and 79 percent is planted with Key Limes. Due to the excellent winter window for Key Limes for the domestic market, planted area for this fruit is expanding in Michoacan. According to producers, however, the domestic market is saturated and therefore a sharp increase in the area planted would only result in lower producer profits. Total area planted for MY 2000 is forecast at 123,000 hectares. Area harvested for MY 1999 has been revised upward according to recent official estimates and MY 1998 data reflects recent official data. About 20 percent of the Persian Lime groves in Veracruz use micro-jet irrigation or other irrigation systems and produce all year round. Michoacan and Colima have irrigation in most of the Key Lime groves and thus are able to produce all year round. Almost all the planted area for Key Lime in Guerrero and Oaxaca is non-irrigated. In Colima, in over half of the Key Lime groves, coconut palm trees are planted in between Key lime trees. The purpose of this inter-planting is to increase producer revenue.

The cost of production for Persian Limes in Veracruz produced for export, is higher than the cost of production for oranges. Therefore, only large, strong producers tend to be in this business. According to sources, Persian Lime production costs average from 8,000 pesos/Ha to 9,500 pesos/Ha (US\$824.74 to \$980/Ha) or more due to higher prices for imported inputs such as fertilizers, pesticides and other agrochemical products. Growers indicate that smaller producers, who do not meet international standards, will eventually return to orange



production. Transportation costs from Veracruz to Mexico City are usually 3,500 to 4,000 pesos/truck (US\$360.82 to 412.37 / truck), delivered in approximately 8 hours.

The cost of production for Key Limes varies according to the cultural practices and technology used. In the most important Key lime producer states, Oaxaca, Colima and Michoacan, cost of production can vary from 7,000 pesos/Ha to 12,000 pesos/Ha (US\$721.64 to \$1,237.11/Ha).

Persian and Key Lime yields differ widely depending on the production conditions. The yields for Persian Limes in Veracruz range from 5 to 12 MT/Ha., depending on cultural practices. There are groves that can produce as much as 18 MT/Ha, while Key Lime yields range from 7 to 12 MT/Ha. A few well tended groves will reach 30 MT/Ha. Some Key Limes in Colima are interplanted with coconut palm. Thus, yields are generally 50 percent less than in conventional groves.

Grower prices for Persian Limes range from 400 to 800 pesos/MT for the domestic market, and 600 to 3,000 pesos/MT for the export market during January to April. Grower prices for Key Limes fluctuate more than Persian Limes depending on the season and the state where limes come from. On average, Key Lime grower prices from Michoacan range from 650 to 2,600 pesos /MT. Michoacan is geared toward the winter season (October/February), and Colima, Oaxaca and other states cover the rest of the year. There is, however, year-round production for both products.

## CONSUMPTION

Domestic consumption of both Key and Persian Limes in Mexico depend largely on price. Total lime consumption for MY 2000 is forecast at 745,000 MT, or 1 percent more than MY 1999 consumption. Some fruit, mainly Persian Limes, that does not comply with the required export quality will be consumed domestically. The consumption estimate for MY 1999 was revised upwnward due to larger demand and good market prices. Consumption data for MY 1998 was revised upward based on newly available information.

Most of Mexican Key Limes go to the fresh market, although exports have been increasing recently. In general, approximately 18 to 23 percent of total Key Lime production goes to processing. Producers from Colima and Michoacan indicate that approximately 35 to 40 percent of their limes go to processors. Official information on the processing industry, however, is unavailable. About 60 to 70 percent of Persian Limes from Veracruz go to the export market and the rest go to the fresh market and processing plants. This balance, however, depends on US demand.

Mexican Key Limes and Persian Limes compete for the same market. When Key Limes and Persian Limes are both present in the domestic market, prices are relatively low. At the onset of the Persian Lime harvest season (August or September), prices for both drop. After a month or two, however, when Persian Lime growers begin to export, prices for Persian Limes move up and remain higher until April or May when those exports of Persian Limes stop and both crops are again competing for the fresh domestic market. Key Limes were sold



during November 2000, at 4.51 pesos/Kg (US\$0.46/Kg) at the wholesale market, while Persian Limes were at 1.81 pesos/Kg (US\$0.18/Kg). Retail prices for Key Limes at the large supermarkets in November 2000 were 11.50 pesos/Kg (US\$1.18/Kg) compared to 8.90 pesos/Kg (US\$0.91/Kg) in November 1999. Persian Limes were selling at 5.40 pesos/Kg (US\$0.55/Kg) compared to 5.90 pesos/Kg (US\$0.60/Kg) in 1999. Key Lime is sold in the wholesale market in 18-20/Kg boxes when it comes from Michoacan, Colima or Oaxaca. When limes come from Guerrero they are sold in 20-22/Kg bags. Persian Limes are sold in the wholesale market in 50-100/Kg bags.

## **TRADE**

Persian and Key Lime exports for MY 2000 are forecast at 240,000 MT. The current international price for Persian Limes, however, is low compared to 1999 prices, and that could lower the export expectations. MY 1999 prices for Persian Limes was on average US\$20/ 40-pound box, although it reached about US\$30/box. MY 2000 prices for Persian Limes fell in November 2000 to US\$7 and US\$8/box. Exports estimates for MY 1999 were revised upward due to better international prices. According to producers, Persian Limes from Mexico supply about 40 percent of the U.S. and Canadian markets. However, lime producers are expanding new markets in Japan and Europe (6%). Lime exports for MY 1998 were revised upward based on recent official data. Lime imports for MY 2000 are forecast at 1,000 MT. Lime imports are not expected to increase dramatically due to higher international prices and ample domestic supplies.

Mexico's tariff rate on imported limes from the United States is zero under the NAFTA. The United States' tariff for 1999 on Key Limes is US\$0.60/Kg and for Persian Limes is zero. The phase-out of this relatively small tariff is not expected to substantially increase lime imports to the United States in the short term. Mexican exports depend on U.S. demand and price.

## **FRESH GRAPEFRUIT**

### **PRODUCTION**

Grapefruit production for MY 2000 is forecast at 164,000 MT, almost 2 percent over MY 1999 estimates. This higher production is a result of overall better weather conditions with adequate rainfall compared to the dry weather that prevailed in MY 1999. Although most of the grapefruit from Nuevo Leon is irrigated, the current dry season in that state could lower overall production. Veracruz had overall better weather conditions. Production in Gutierrez Zamora will be reduced, however, due to the effects of the heavy rains in October 1999 and loss of some trees. Grapefruit groves in Michoacan had very good weather conditions, but the groves are still very new and so production is still low. Grapefruit production estimates for MY 1999 remain unchanged with lower production than MY 1998 due to dry weather that prevailed during flowering in the first semester of 1999. Floods and heavy rain in Veracruz in October of the same year contributed to the lower production. Data for MY 1998 production reflect final official information.

Grapefruit planted area had remained almost constant up to 1997. Area planted in Veracruz and Nuevo Leon, which are two main important producer states, has increased very little because of the high cost of production and low domestic demand. New planted areas in central Veracruz have been off-set by abandoned areas in other parts of the same state. Most of the new planted areas are geared towards the European export market. According to the industry, however, grapefruit plantings have been increasing in the state of Michoacan because of better general weather conditions and a much lower cost of production. These areas are also geared towards the export market.

Therefore, planted area for grapefruit is forecast at 12,400 hectares for MY 2000, a small increase from the 12,300 hectares reported in MY 1999. Most of the increase in area planted is in Michoacan. According to growers, Michoacan is planting because of good domestic and international prices, but when all area is in production it will create oversupplies as the domestic market is still small. Area planted and harvested estimates for MY 1998 reflect final official information. There are two types of grapefruit planted in Mexico: the red table varieties produced in Tabasco, Michoacan, Nuevo Leon and Veracruz for export to the United States and Europe as fresh fruit; and the white fleshed varieties produced in Tamaulipas and Veracruz for juice production or for peeled slices. According to growers, planting of red varieties are increasing because of the export market preferences. The state of Nuevo Leon has a certified forced-hot-air chamber in Montemorelos, but due to its high costs to operate, it has been used very little as an alternative quarantine treatment. So, exports through this method are expected to be gradual. According to growers, the MY 2000 forecast for grapefruit destined to processing is 25,000 MT. Grapefruit is used for peeled slices or juice production. The processing estimate for MY 1998 and 1999 remain unchanged.

Overall average yields for MY 2000 are forecast at 16.9 MT/Ha, higher than MY 1999 yields because of timely rainfall. Average yields for MY 1999 are estimated at 16.4 MT/Ha because of the dry weather. An overall normal yield for grapefruit is approximately 23 MT/Ha. Veracruz accounts for about 70 percent of Mexican grapefruit production and has the highest yield in the country with 20 to 25 MT/Ha. Nuevo Leon follows with yields of 18 to 20 MT/Ha. Michoacan has lower yields -- between 10 to 13 MT/Ha. In other states, yields vary from 10 to 15 MT/Ha. Grower prices in Veracruz began in August 2000 at approximately 1,200 pesos/MT (US\$123.70/MT) for the red varieties. But, since then, prices have dropped to approximately 700 pesos/MT (US\$72.16/MT) in November. Prices are expected to remain low because of higher supplies and less exports. Since Michoacan has developed areas with red varieties that can be harvested in June/July, grower prices are higher at approximately 2,500 to 3,000 pesos/MT (US\$257.73 to 309.27/MT).

## CONSUMPTION

Grapefruit consumption is forecast at 137,000 MT for MY 2000 due to expected higher supplies and lower prices. Prices for November 2000 at the wholesale market in Mexico City were approximately 2.20 pesos/Kg (US\$0.22/Kg), same as in 1999. Retail prices averaged 3.80 pesos/Kg (US\$0.39/Kg). Growers indicate that there is no premium on quality, as consumers are more interested in lower prices. This trend also affects grapefruit consumption versus other more accessible fruits like oranges. Since Michoacan can harvest earlier than Veracruz, producers can command higher prices in the domestic market. Estimated consumption for MY

1999 remains unchanged and consumption for 1998 was revised downward due to larger international demand.

**TRADE**

Grapefruit exports for MY 2000 are forecast to be less than MY 1999 due to lower international demand. Export prices for MY 2000 were approximately US\$5.50 /18 lb. box, while in 1999 prices were about US\$10/box. Although grapefruit exports are geared to the European and Japanese markets, exports are still small. In fact Michoacan had excellent domestic prices for June and July and could extend to October, leaving lower volumes for export. Therefore, when Veracruz production began late in August domestic prices were already low. Export estimates for MY 1999 remain unchanged and MY 1998 estimates adjusted upward based on official Mexican data. According to sources, most of the imported grapefruit from the U.S. is further processed to re-export to the U.S. and European markets. The following is the NAFTA tariff rate schedule for 2000.

<b>NAFTA GRAPEFRUIT TARIFF SCHEDULE FOR 2000</b>	
<b>SEASON</b>	<b>MEXICAN TARIFF</b>
August 1 to September 30	0.00 US cents/Kg
October 1 to December 31	0.87 US cents/Kg
January 1 to July 31	0.87 US cents/Kg

<b>NAFTA GRAPEFRUIT TARIFF SCHEDULE FOR 2000</b>	
<b>SEASON</b>	<b>U.S. TARIFF</b>
August 1 to September 30	0.00 US cents/Kg
October 1 to October 31	0.50 US cents/Kg
November 1 to July 31	0.80 US cents/Kg

With the preferential tariffs under NAFTA and the new forced-hot-air treatment, export opportunities for Mexican grapefruit in the U.S. might improve. Any substantial increase, however, will depend upon advances in the phytosanitary area, and technological practices for grapefruit. While likely to expand, US grapefruit exports to Mexico will still be relatively small.

## **FROZEN CONCENTRATE ORANGE JUICE**

### **PRODUCTION**

Frozen concentrate orange juice (FCOJ) production for MY 2001 (January-December) is forecast at 40,000 MT, 9 percent lower than MY 1999 production because of expected low international prices and high international stocks. Juice production depends heavily on the international price of FCOJ. The international price for FCOJ future contracts for 2001 deliveries have been at US\$0.75/lb., a low price which represents a smaller margin for the industry to buy fruit. The industry, however, is expecting prices to rise at least to US\$0.80/lb. MY 2000 prices were also low at approximately US\$0.82 to US\$0.83/lb. by March/April 2000. FCOJ production estimates for MY 1999 and 2000 have been revised upward due to higher demand than expected and the availability of more fruit.

The general uncertainty of the FCOJ industry has not changed from previous years. Unless FCOJ export prices are good, enabling processors to increase the price paid to fruit producers, it is unlikely that juice concentrate production will increase dramatically. Due to financial problems of the processing industry, there has been a concentration of ownership.

The industry is expecting to buy fresh fruit at approximately 550 pesos/MT for MY 2001, compared to February/March 2000 prices of approximately 650 to 750 pesos/MT (US\$68.40 to \$78.95/MT) because of less supplies of fruit. Fresh market prices for oranges for processing may go as high as 600 to 700 pesos/MT (US\$61.85 - \$72.16/MT) by the end of the season.

### **CONSUMPTION**

The majority of Mexican consumers prefer and demand fresh squeezed juice instead of processed orange juice. Thus, considering a lower FCOJ production, the consumption forecast for MY 2001 is expected to remain flat at 3,200 MT as in MY 2000. The consumption estimate for MY 1999 has been revised upward based on recent industry information.

In general, domestic consumption has increased at a very low rate because of the availability of fresh oranges in the domestic market. Therefore, FCOJ consumption is not expected to increase dramatically. The industry, however, indicates that there is a market niche in the hotel and restaurant industry. Most of the orange juice produced in Mexico goes to the export market. According to processors, there is usually about a 3,000 MT carryover of FCOJ from one year to the other.

### **TRADE**

Exports of FCOJ for MY 2001 are forecast to decrease to approximately 36,801 MT compared to MY 1999 exports, due to lower international prices. Exports could increase if international prices begin to rise above

US\$0.80/lb. The United States is the main market for Mexican FCOJ, with Japan and European countries also becoming important markets for this product. The export estimates for MY 2000 have been revised upward due to larger demand and enough fruit supplies. The export estimates for MY 1999 were revised upward based on recent trade data. Any FCOJ export growth will be limited to the needs of Florida's industry to mix their juice with a higher sugar-ratio and more colored Mexican juice. Also, export increases will depend on promotion in other markets besides the U.S. FCOJ imports are almost negligible compared to domestic production. Having enough domestic supply for FCOJ, and having almost flat consumption, greater imports are not likely for the time being.

Under NAFTA, Mexico has access to the United States market for 40 million gallons of FCOJ (single strength equivalent) at one-half of the Most Favored Nation (MFN) tariff rate. Any FCOJ imports above the quota will enter the United States at the MFN rate. This quota will be phased-out over 15 years. Exporters of FCOJ need a certificate issued by the Mexican government to be able to export to the U.S. under the NAFTA provisions. The Mexican government allocates the quota among most of the producing companies to give them an equal opportunity to share the benefits of NAFTA. When a company cannot cover the designated quota, the Mexican government reallocates the uncovered share to other companies.